

# FINANCIAL TRENDS IN WASHINGTON STATE CHARTERED CREDIT UNIONS

Financial Data as of December 31, 2001

## HIGHLIGHTS

This report summarizes the trends of all ninety-four state chartered credit unions in Washington, which reported as of December 31, 2001. Unless otherwise noted the change period for the financial ratios and/or financial statistics is from December 31, 2000 to December 31, 2001.

Key financial indicators are listed below:

- **Assets** increased \$1.57 million or 13.28%. Assets are \$13.39 million.
- **Investments** (including cash & cash equivalents) increased \$930 million or 30.6%. Investments are \$3.97 billion.
- **Loans** increased \$640 million or 7.7%. Loans are \$8.95 billion.
- **Delinquent loan** dollars increased \$14.66 million or 28.9%. Delinquent loans as a percentage of total loans increased from 0.61% to 0.73%.
- **Net charge-offs** increased \$8.08 million or 20.4%. The net charge-off to average loan ratio increased from 0.51% for the 12 months ending December 31, 2000 to 0.55% for the twelve months ending December 31, 2001.
- **Shares** increased \$1.71 billion or 17.08%. Because shares grew at a faster rate than loans, the loan to share ratio decreased from 83.2% to 76.5%.
- **New worth** increased 7.7%, or \$90.2 million, and the net worth to assets ratio decreased from 9.93% to 9.44 %.
- **Profitability** - Net income increased \$4.35 million or 5.28 percent. ROAA declined from 0.72% for the 12 months ending December 31, 2000 to 0.69% for the twelve months ending December 31, 2001.
- **Operating Expenses** increased from 42.29% of gross income and 3.44% of average assets for the 12 months ending December 31, 2000 compared to 43.53% of gross income and 3.57% of average assets for the twelve months ending December 31, 2001.
- **Gross Income and Cost of Funds** – Gross income increased from 8.11% of average assets to 8.19% of average assets, and the cost of funds to average assets decreased from 3.56% to 3.48%. Consequently, the average net margin increased from 4.55% to 4.71%.

**Asset Trends:** Total assets increased \$1.57 million or 13.28%.

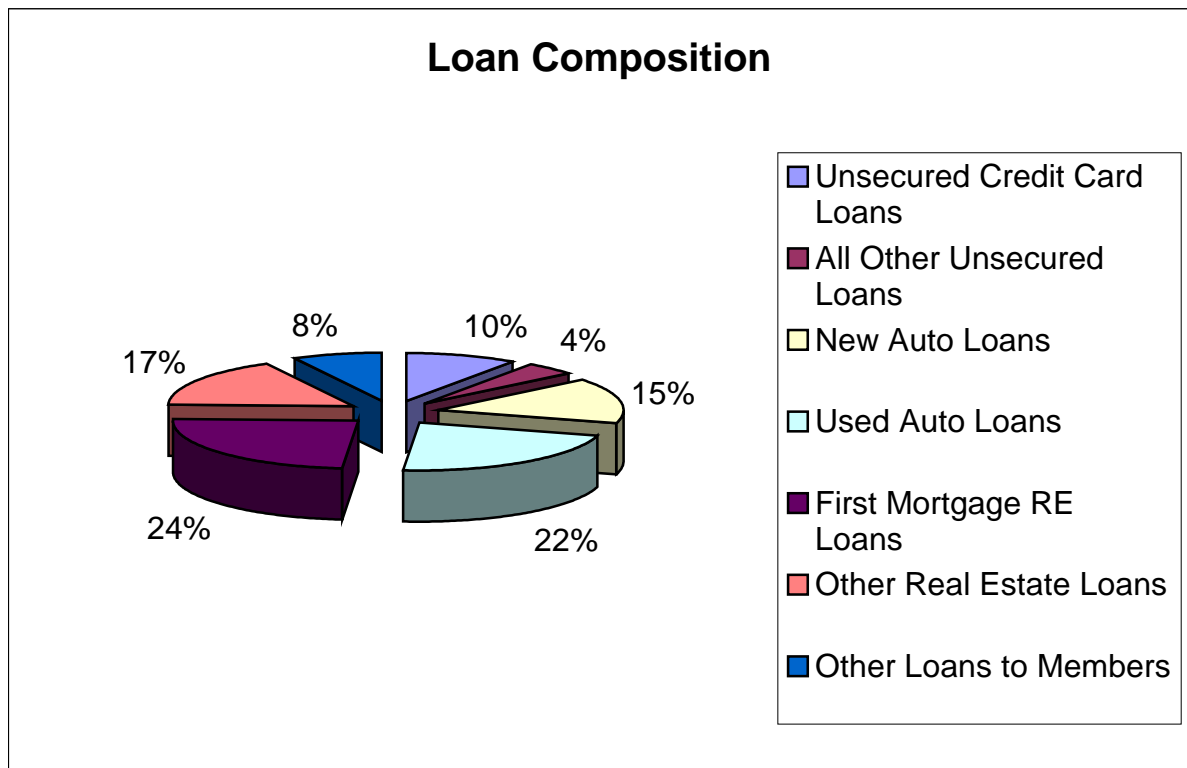
- Loans increased \$640 million or 7.7%. Loans are 66.83% of total assets.
- Investments (including cash & cash equivalents) increased \$930 million or 30.6%. Investments are 29.65% of total assets.
- Fixed assets increased \$16.5 million or 5.87%. Fixed assets are 2.22% of total assets.
- Other assets increased \$18.5 million or 7.93%. Other assets are 1.88% of total assets.
- The Allowance for Loan & Lease Losses (ALLL) increased \$10.08 million or 14.93%. The aggregate ALLL balance equals 0.58% of total assets, 118.58% of delinquent loans and 162.29% of net charge-offs. The last two ALLL ratios were down from the previous yearend.
- As of December 31, 2001 cash plus cash equivalents plus short-term investments less than one year divided by total assets was 17.97 percent.

## **Asset Growth**

<b><u>CU Asset Size</u></b>	<b><u>1/99 to 12/99</u></b>	<b><u>1/00 to 12/00</u></b>	<b><u>1/01 to 12/01</u></b>
Over \$500 mil.	11.06%	5.86%	11.62%
\$100m to \$500m	5.42%	6.95%	14.34%
\$20m to \$100m	3.05%	5.48%	13.70%
\$0m to \$20m	3.19%	3.06%	11.64%

**Loan Trends:** Total loans increased \$640 million or 7.7% during the twelve-month period ending December 31, 2001. Because total loans increased slower than total assets, the total loans to total assets ratio decreased from 70.36% as of December 31, 2000 to 66.83% as of December 31, 2001.

- Unsecured credit cards increased \$29.5 million or 3.47%.
- All other unsecured loans decreased \$35.4 million or -8.27%.
- New auto loans decreased \$83.1 million or -5.76%.
- Used auto loans increased \$195.3 million or 11.08%.
- First mortgage real estate loans increased \$626.5 million or 40.8%.
- Other real estate loans decreased \$23.5 million or -1.56%.
- Other Loans to members decreased \$72.3 million or -9.28%.
- Fixed rate first mortgage real estate loans increased \$258.6 million or 23.06%, fixed rate first mortgage loans comprise 63.84% of all first mortgage real estate loans.



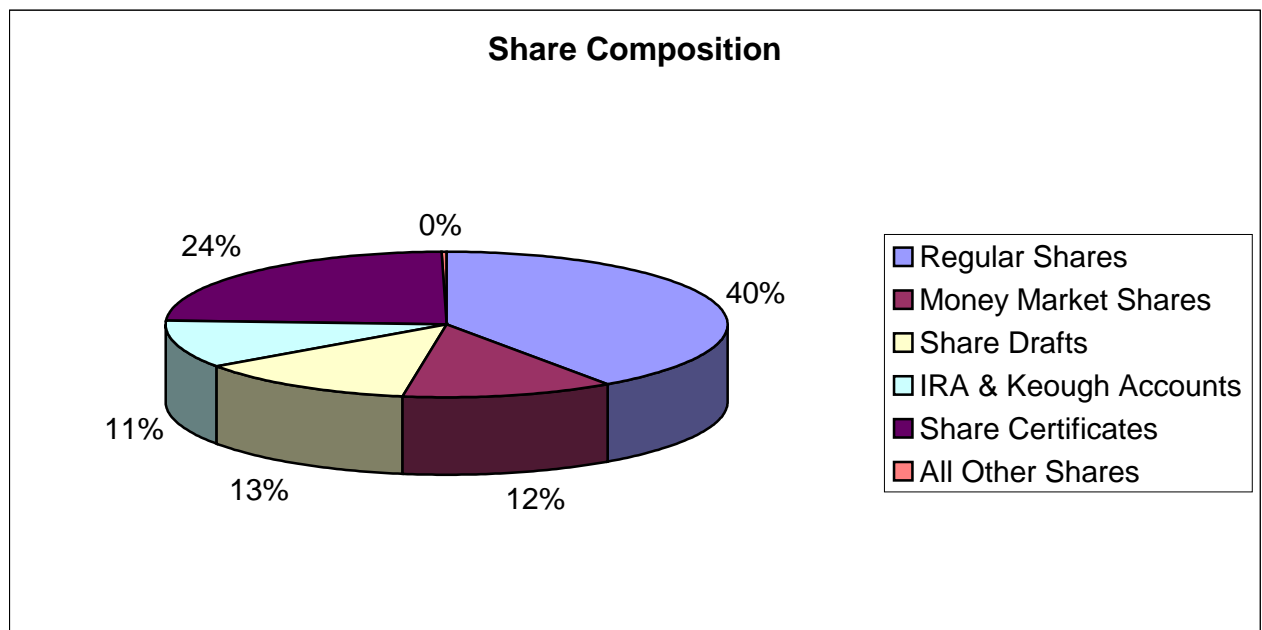
**Delinquent Loan Trends:** Total delinquent loan dollars increased \$14.66 million to \$65.42 million. Because delinquent loans increased faster than total loans, the delinquent loans to total loans ratio increased from 0.61% to 0.73%.

**Net Charge-off Trends:** Total net charge-offs increased \$8.08 million to \$47.80 million. Because net charge-offs increased faster than average loans, the net charged-off loans to average loan ratio increased from 0.51% for the 12 months ending December 31, 2000 to 0.56% of average loans for the twelve months ending December 31, 2001.

**Bankruptcy Trends:** Total bankruptcy loans increased \$9.13 million to \$49.70 million. This is a 22.5 percent increase over the previous yearend. Bankruptcy loans as a percent of delinquent loans decreased from 77.08% as of December 31, 2000 to 75.97% as of December 31, 2001.

**Share Trends:** Shares increased \$1.71 billion or 17.08% and total \$11.69 billion. Because loans grew at a slower rate than shares, the loan to share ratio decreased from 83.2% as of December 31, 2000 to 76.6% as of December 31, 2001.

- Regular shares and deposits increased \$942.7 million or 25.0%.
- Money market shares increased \$362.8 million or 34.5%.
- Share drafts increased \$106 million or 7.59%.
- IRA & Keogh accounts increased \$158.8 million or 14.85%.
- Share certificates increased \$132.1 million or 4.9%.
- All other shares (including non-member) increased \$3.6 million or 17.1%.
- The cost of funds to average assets ratio decreased from 3.56% to 3.48%.



**Capital Trends:** Net worth increased 7.7% or \$90.2 million, and the net worth to assets ratio decreased from 9.93% to 9.44%.

### Net Worth/Total Assets (as of 12/31/00 & 12/31/01)

<u>CU Asset Size</u>	<u>12/31/00</u>	<u>12/31/01</u>
Over \$500 mil.	8.31%	7.93%
\$100m to \$500m	10.63%	10.19%
\$20m to \$100m	11.80%	10.71%
\$0m to \$20m	11.75%	10.30%

**Profitability Trends:** The Return on Average Assets (ROAA) declined from 0.72% for the 12 months ending December 31, 2000 to 0.69% for the twelve months ending December 31, 2001.

## ROAA Trends

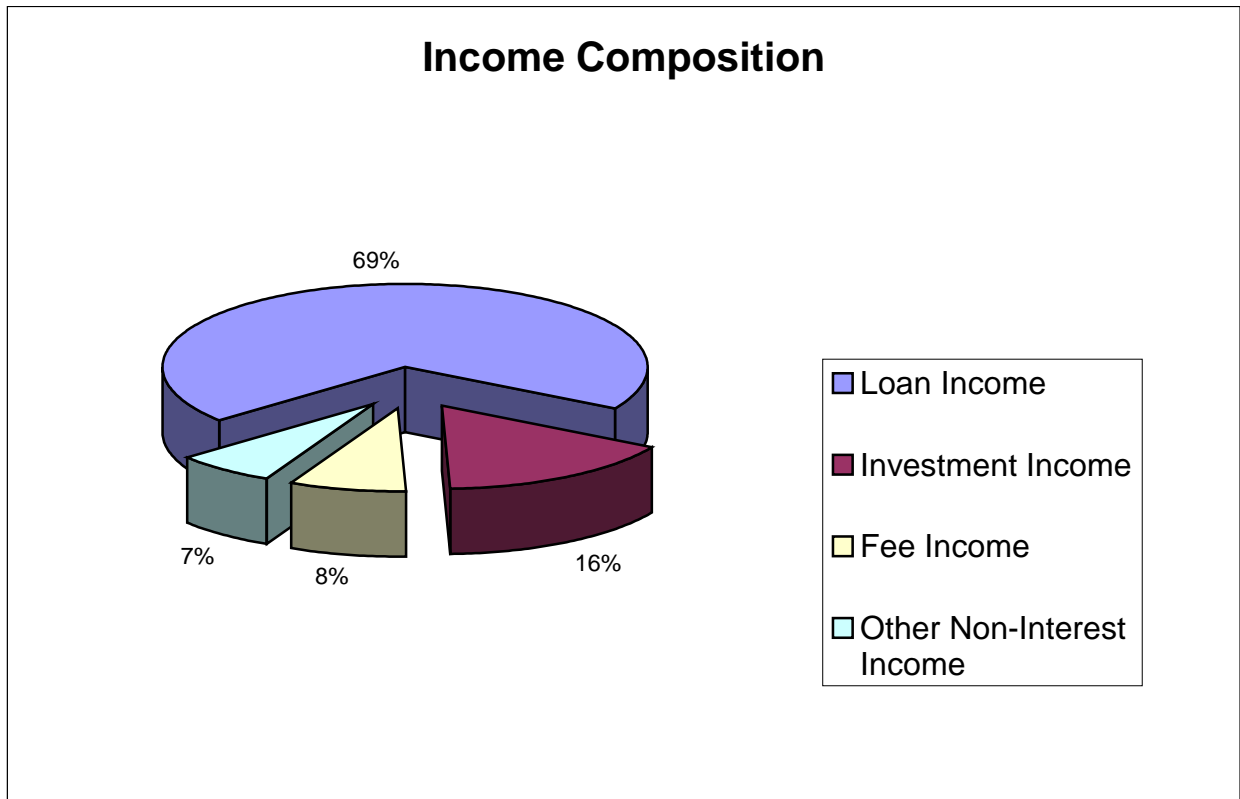
<u>CU Asset Size</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Over \$500 mil.	0.96%	0.79%	0.64%	0.52%	0.52%
\$100m to \$500m	1.04%	0.95%	0.95%	0.78%	0.82%
\$20m to \$100m	1.00%	0.88%	0.80%	0.86%	0.63%
\$0m to \$20m	0.89%	0.76%	0.72%	0.92%	0.43%

Note: These yearly ROAA growth percentages are for the periods ending December 31st.

<b>Ratio</b>	<b>As of 12/31/00</b>	<b>As of 12/31/01</b>	<b>Effect on ROAA</b>
Gross Income	8.11%	8.19%	+8 bp
Cost of Funds	3.56%	3.48%	+8 bp
Operating Expenses	3.44%	3.57%	-13 bp
PLL	0.40%	0.46%	-6 bp
ROAA	0.72%	0.69%	-3 bp

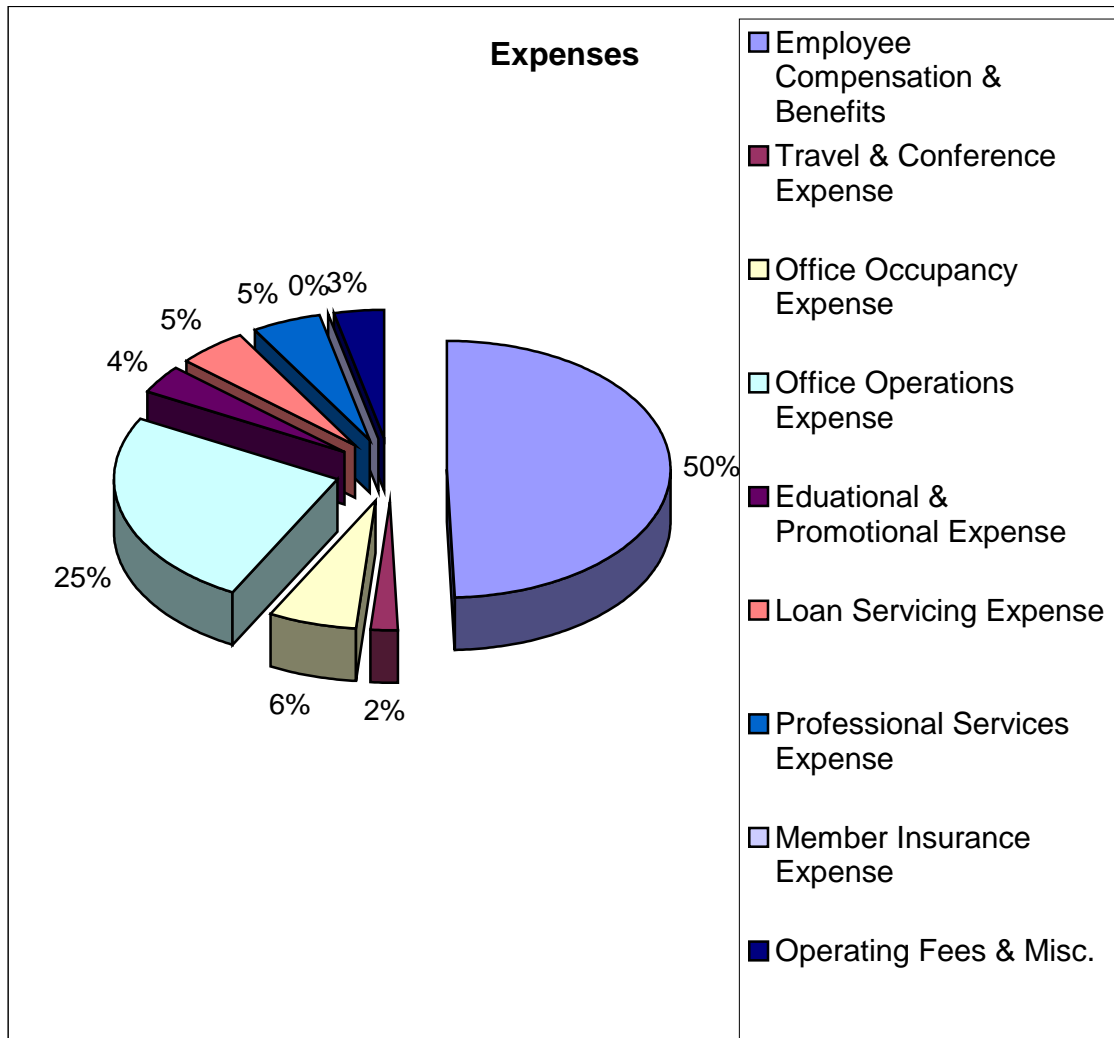
**Income Trends:** Gross income increased \$99.1 million to \$1.03 billion. This is a 10.62% increase. Because gross income increased faster than average assets, the gross income to average assets ratio increased from 8.11% to 8.19%.

- Loan income increased \$52.1 million or 7.82%.
- Investment income increased \$19.5 million or 13.53%.
- Fee income increased \$14.4 million or 20.96%.
- Other non-interest income increased \$13.1 million or 24.10%.



**Expense Trends:** Operating expenses increased \$54.7 million to \$449.5 million or 13.86%. Because operating expenses increased faster than gross income and average assets, the operating expense ratios increased from 42.29% of gross income and 3.44% of average assets for the 12 months ending December 31, 2000 compared to 43.53% of gross income and 3.57% of average assets for the twelve months ending December 31, 2001.

- Employee compensation increased \$27.1 million or 13.85%.
- Travel and conference expense increased \$0.47 million or 6.06%.
- Office occupancy expense increased \$2.15 million or 8.02%.
- Office operations expense increased \$14.2 million or 14.46%.
- Educational and promotional increased \$1.7 million or 11.45%.
- Loan servicing expense increased \$2.36 million or 11.54%.
- Professional services expense increased \$1.83 million or 9.10%.
- Member insurance expense decreased 0.26 million or -25.53%.
- Operating fees and miscellaneous expense increased \$5.22 million or 49.85%.



- ❖ Report prepared by Doug Lacy-Roberts on May 28, 2002.
- ❖ Report was generated from a download of 5300 data done by Sue Graham for the December 31, 2001 cycle.